

Chairman's Speech for 2009 AGM

This is AWEX's 16th Annual General Meeting. This will be my 9th Annual General Meeting and it seems that at every one of those meetings I have spoken about the difficult times the Industry has been facing.

Well, I am doing it again - In the last year we have had a continuation of adverse climatic conditions, growers have increased the diversification on their farms, moving away from merino wool production into cross breeding and meat production as well as other enterprises and we have had the Global Financial Crisis. Wool production has continued to fall and from all the evidence to date will continue to fall further. The number of participants in the industry continues to decline and there is increased pressure on all to cut costs to the absolute minimum. This is not necessarily a long term approach but more an appropriate survival mechanism.

I can assure Members that AWEX has been mindful of these pressures and we have continued to provide all our services while keeping costs as low as possible.

Notwithstanding the foregoing remarks, I am sure that everyone here would share the faith which AWEX has in the future of our great fibre.

AWEX revenue for 2008/09 was reduced by just over one million dollars compared to 2007/08 due mainly to a reduction in the charges for the woolpack quality assurance program and also as a result of lower throughput through auction, the consequence of which was a reduction in auction service fees.

AWEX also reduced expenditure with lower depreciation and personnel costs and lower Board costs. Large savings have been achieved in the cost of wool packs by redesigning the bale label and removing the barcode.

The financial result for the 2008/2009 financial year was loss of \$119,715 which was a little better than budget, helped by higher than budgeted sales of woolpack labels.

AWEX's reserves remain healthy at just over \$5m and your funds are safely invested with Australian Banks. The return on these investments helps to defray AWEX's running costs and consequently allows AWEX to deliver its services at lower rates.

One of the fundamental deliverables of AWEX is its quality related services. These services provide buyers at auction with the assurance that the wool they are purchasing has been prepared and offered in compliance with the industry's quality standards.

In the last financial year, AWEX commenced a review of the Code of Practice which is an integral component of AWEX's quality systems. The Code of Practice is reviewed every three years and input was received from over 1,000 Woolclassers as well as Exporters, Brokers, Private Treaty Merchants and a wide range of interested industry organisations and groups. The Code of Practice has now been released and is being sent to all registered Australian Woolclassers, members and training institutions. Non-members are also able to purchase copies.

The Code is an excellent, informative and valuable document and copies will be sent overseas to promote understanding of Australia's commitment to improve the quality of the clip.

Our proposal to introduce a Quality Services Fee has been on the discussion table with members and non-members for nearly 18 months. While we understand the current concerns about all costs, we have been disappointed by industry resistance to the introduction by AWEX of the fee. We acknowledge that our consultation with the industry may not have been as effective as was necessary.

The revenue from the Quality Services Fee is intended to contribute to funding the vital show floor related quality services which AWEX performs. We have implemented the QSF for the 2009/2010 financial year. A small number of members and non-members have objected to paying the fee so it may be necessary for us to differentiate in the way in which we deliver a number of the quality related Services AWEX provides. This is a hard decision for AWEX, and one on which we realise that we will have to consult further with Members and with the industry. We have to be prudently responsible in the use of our Members' funds but we also accept our responsibility to the whole industry in terms of quality issues.

AWEX Staff numbers have continued to reduce yet the services provided by AWEX continue to be expanded. AWEX is mindful of its position within the industry, in terms of quality issues and market information, and we understand that these are vital services in such difficult times.

AWEX has commenced and continues a review of the National Wool Declaration which we support by performing weekly desk-top audits and providing extension of the benefits of completing the Declaration. The introduction of the National Wool Declaration is intended to provide processors with confidence in their purchases. AWEX has received wide ranging support for the NWD and the review process from overseas retailers including the British Retail Consortium. The technical requirements of performing on-farm audits will be considered in parallel with the current review and a working group has been trialling procedures and practices to understand what is required for a credible audit. The funding of an on-farm audit is an issue which we will take to the industry to resolve.

In part in response to concerns expressed by the Australian Council of Wool Exporters and Processors about costs of catalogue distribution, AWEX commenced a review of the complete EDI Network, engaging an independent consultant to conduct interviews to determine the needs of industry. The analysis of this review is still underway with the objective being to provide industry with a robust and reliable EDI network which operates for users as seamlessly as possible and at the lowest possible cost.

Cost control, and achieving more from less continues to be key to the strategies of the AWEX Board and Management. We are committed to continuous improvement in our use of technology.

As an example of this AWEX has this year offered on-line registration for woolclassers for the 2010-2012 period. This has not only reduced the cost of processing registrations

but improved accuracy of the data captured. We are heartened by the extent to which classers have taken up the facility for on-line registration.

For a small organisation, AWEX continues to not only deliver essential services but also to innovate and improve what it does.

On behalf of the Board and our Members, I again thank AWEX management and staff for their dedication and their efforts and achievements under challenging circumstances. The CEO has provided outstanding leadership and his team has shown their determination to continue to enhance AWEX's performance and its contribution to our Members and to the industry. I also wish to thank my fellow Directors for their hard work, their commitment to the future of AWEX and our wool industry, and for their unstinting support during the year.

Thank You
R A Farrar 04/12/09