



AUSTRALIAN SUPERFINE WOOL GROWERS' ASSOCIATION INC

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ASWGA-05-223

The General Manager
Adjudication Branch
Australian Competition and Consumer Commission
PO Box 1199
DICKSON ACT 2602

sent via Email 13/10/05

FILE No:
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MARS/PRISM:

Dear Sir/Madam,

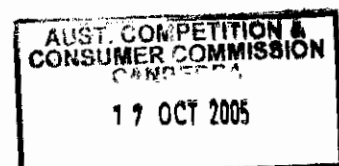
Application for Authorisation Lodged by Federation of Australian Wool Organisations – Interested Party Consultation

Please find attached the Australian Superfine Wool Growers' Association's submission for the Application for Authorisation lodged by Federation of Australian Wool Organisations.

If you have any queries relating to this submission please contact our Association's Secretary, Megan Moloney at the above address.

Kind regards,

Frank O'Connor
President





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ACCC AUTHORIZATION FOR TEST MARKETING CAMPAIGN

Application for Authorization Lodged by the Federation of Australian Wool Organisations

Interested Party Consultation

AUSTRALIAN SUPERFINE WOOL GROWER'S ASSOCIATION

The Australian Superfine Woolgrower's Association (ASWGA) is the peak body representing the interests of Australia's high quality superfine wool growers together with 30 of the World's leading processors and users of superfine wool. It is virtually unique in that it covers in a strictly non Agri-political manner the interests of all those who use Australian superfine wool from Farm to Retail globally.

Primarily our concerns are related to the production, preparation, marketing and promotion of our member's superfine wool.

ASWGA is an Associate Member of FAWO and plays a significant role in attendance and presentation of papers at IWTO Conferences and Assemblies.

Test Marketing Campaign to Increase Demand for Australian Fine and Superfine Wool

Declining Returns for Superfine Growers

While the overall volume of wool production in Australia has declined, the volume of fine and superfine wool has increased and superfine wool under 18.5 microns is now at an all time record production. Ten years ago the proportion of the total clip below 18.5 was less than 5% it is now 15% and the proportion under 19.5 microns is 33%.

The Woolmark Company has reported that demand for 18.5 micron wool has risen by 8% annually since the 2000/01 season while supply has increased by 11% annually.

The price for 17 micron wool, the average micron range of our members, has fallen by 45% in the same period and our grower's viability is being seriously threatened.

Failure of Marketing and Promotion

In 1998 Australian growers voted to support the cessation of levies for wool promotion. ASWGA did not support this move as it realized the importance of having strong coordinated marketing strategies to encourage the rapid uptake by industry of new research and innovation.

Our core business has always been the luxury and higher end of the men's suit market together with women's wear particularly in conjunction with other luxury natural fibres (cashmere, silk etc.).

IWTO Conference Hobart April 2005 – Announcement of Test Marketing Campaign

At the IWTO Conference in April 2004 at Evian, France, IWTO released a far reaching commissioned report on the future needs to market wool by Kurt Salmon & Associates. They set up a working group to seek ways to further the recommendations of the report and to find ways to restart the marketing and promotion of wool as a fibre and to regain and rebuild lost markets particularly in the women's wear sector. In particular, to establish in consumers minds the new technology for total easy care garments not previously available and that are very competitive with man made fibre products.

The IWTO working group, following acceptance of the recommendations of the Kurt Salmon report after consulting widely for advice from the IWTO global membership and in conjunction with The Woolmark Company, developed the concept of the Test Marketing Plan as the most effective way to test the possibilities of successfully restoring and increasing demand in a key market area that had seriously been overtaken by competing fibres.

The findings and recommendations were presented at the Hobart IWTO 2005 conference. The conference endorsed the recommendations and the project advanced a stage further when the chairman of AWI announced a US\$5 million grant to further the Test Marketing Project designed by The Woolmark Company provided the international wool industry matched the funding by August 31st 2005.

While the offer from AWI was appreciated its conditional funding posed a serious challenge to the IWTO membership on how they would be able to fairly find the matching funding.

ASWGA is very conscious of previous attempts to get individual countries to contribute on a pro rata basis to these types of promotion strategies. The proposed strategy to collect the industry matching funding developed by FAWO is supported by ASWGA as the only feasible reasonable and fair means of finding the matching industry contribution.

The Case for Action – Consumer Test Marketing of Fine and Superfine Wool - The Woolmark Company

ASWGA has received an in depth briefing by Brenda McGahan; Executive Director The Woolmark Company and Senior staff of the Woolmark Company and believes that the proposed Test Marketing Campaign is soundly and logically based targeting the most important area of market failure and has the advantage that the results can be measured quantitatively which is always difficult in this type of marketing.

ASWGA strongly believes that the results of the programme if successful will provide a significant way forward to increase demand and ultimately price that will be essential to future sustainability of our industry.

Addressing the specific matters supporting the views on Public Benefits put forward by FAWO, it is important to note that ASWGA supports the position put forward by FAWO and believes that the proposed levy is a reasonable and fair way to collect the necessary funding. ASWGA believes that it does not impose a financial burden on individual woolgrowers that could in any way affect their viability. In fact the reverse is the case it has the opportunity to provide future better and more sustainable returns.

1. Increased Demand for Australian Wool,

- With the present decline in demand for Australian wool and loss of key apparel market sectors being exacerbated by failure to market and promote it is vital that action take place.

- The campaign has demonstrated to our customers that we are keen to keep them using wool and not move to other fibres. The flow on effect will be to rebuild confidence and commitment to wool.
- Superfine wool is the flagship of the industry and success in this area flows to the bulk of the production. The move by consumers to finer lighter softer garments has encouraged general wool growers to move finer and ASWGA members have also moved 2 microns finer to keep in the more exclusive premium high image area.
- While demand has increased it is well below the supply increase with the resulting price collapse threatening grower's survival.
- *This campaign is seen as essential in the first step in moving forward to increase demand and market recently developed innovations and new products*
- Even if not successful, the experience gained should show where future projects should focus

2. Increased Efficiency in the Promotion of Australian Wool

- The previous marketing and promotion campaigns were often seen as too generic and assessment of returns tended to be qualitative rather than quantitative. This tightly focused campaign selecting a specific target market with retail outlets that can provide accurate assessment will lead to better strategies in future projects.
- This will enable future programmes to be built around areas that can maximize returns on promotional and marketing dollars spent
- By building industry confidence in obtaining better results this will encourage other participants in the pipeline to contribute enlarging the overall marketing investment pool leading to more effective funding and allowing wool to compete better with the very large budgets of cotton and man made fibres.

3. International Competitiveness of the Australian Wool Industry

- Wool production is the second most common enterprise on Australian farms there are 40,000 woolgrowers who are dependent for a significant part of their income on wool. Wool accounts for 11% of gross value of farm production and 2.5% of total exports
- While there has been considerable enterprise diversification into other enterprises by many growers, superfine growers in many cases have properties unsuitable for diversification.
- These specialist growers have long histories of dedicated successful operation and are the core body of growers that have produced the wool of special excellence that receives great recognition and on which much of the reputation for Australia as the world's great wool nation is built.
- New Zealand has in recent times threatened Australia's leading quality reputation and its marketing campaigns have been outstandingly successful. It is noteworthy that NZ will not fund this Test Marketing Campaign as they can see that it will give Australia back competitive edge

4. Increase in Net Exports

- The Australian wool industry is over 90% export based with major markets all in the Northern Hemisphere.
- China has become dominant in the market at early stage and increasingly at consumer stage
- The high value, high fashion consumer continues to be based in USA, EU and UK markets and this campaign targets this high value area and if successful will result in a significant increase in the value of wool exports.
- If this campaign is successful it will lead to a rejuvenation in confidence in wool production and rebuild overall production with increased exports both in volume and monetary terms

5. Higher Employment

- Increase in demand will increase sheep numbers requiring increased employment in the shearing, transport, brokerage and handling sectors together with testing, research, education and training opportunities
- The flow on effect particularly in Regional Australia will be significant
- A revitalized industry will attract research staff and increased research funding so essential to the future of the wool industry. This will be of benefit to Universities, CSIRO, and to industry service bodies such as AWTA.

ASWGA supports the FAWO application for Authorisation of the collection of the levy of \$1.50 per bale for the marketing campaign on both the full authorization and the interim authorization.

- In the case for Interim authorization it is seen as vital that the funding be collected immediately in order to meet the Retail Schedule for the key Autumn/Winter fashion seasons in the target US market for 2006/2007. Failure to do so will add cost and delay any benefits or progress for 12 months leaving wool growers further exposed to unacceptably low returns.

ASWGA requests that ACCC grant the authorization for the collection of the \$1.50 per bale levy for the Test Marketing Trial effective immediately as a first step in restoring serious market decline for Australian wool and in better securing the ongoing sustainability of wool production in Australia.