



Australian Government

Department of Agriculture, Fisheries and Forestry

Mr Jason Byrne  
A/g Assistant Director  
Adjudication Branch  
Australian Competition and Consumer Commission  
PO Box 1199  
DICKSON ACT 2602

### **Application for authorisation lodged by the Federation of Australian Wool Organisations**

Dear Mr Byrne

Thank you for your letter of 27 September 2005 seeking comments on the application lodged by the Federation of Australian Wool Organisations (FAWO). I note the purpose of the application requests authorisation to implement a levy on each bale of wool sold to fund a test marketing campaign for the international promotion of wool.

The Department of Agriculture, Fisheries and Forestry (the Department) is supportive of industry initiatives aimed at increasing demand for wool worldwide.

By way of background, global demand for wool has been falling in the past decade, resulting in reduced demand for Australian wool. Wool production is the second most common enterprise on Australian farms and the industry is heavily focussed on supplying world markets. In 2004-05 almost 98 percent of the wool produced in Australia was exported.

A number of factors have contributed to the decline in demand for Australian wool. Competition from other fibres, both natural and synthetic, is a major challenge to the industry. Synthetic fibres provide consumers with similar characteristics and end-uses as wool. Changing tastes and fashion preferences have also affected the demand for wool, with a broad shift away from more formal clothing, which favours wool textiles, to casual, easy-care fashion that is dominated by cotton and synthetic fibres.

The decrease in demand for wool worldwide has led to calls by a number of wool industry bodies for increased expenditure on direct marketing and promotional activities. As a result of widespread industry consultation, a proposed international wool test marketing campaign has been designed to assess marketing strategies for Australian wool products.

Woolgrowers currently pay a compulsory levy of 2 percent on all wool sales to fund industry wide R&D activities. These activities are undertaken by the wool industry R&D body, Australian Wool Innovation Ltd (AWI). I understand AWI has committed significant funding to the test marketing campaign along with the International Wool Textile Organisation. However, further funding is required, and the industry has identified the proposed levy as the most efficient and effective method of obtaining financial contributions from wool buyers.

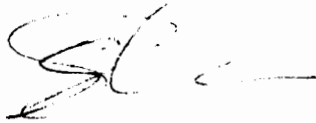
The proposed new levy is designed to capture funding from wool industry sources beyond the farmgate, and will assist the Australian industry in further developing its marketing and promotion activities. Broad industry contributions to such activities are generally regarded as beneficial and likely will encourage further through-chain marketing and other activities for the benefit of the Australian wool industry. Such initiatives will be important for the future of the industry, particularly as it is facing supply chain pressures and significant competition from other fibres.

Additionally, any resulting increase in demand for wool from this project will have flow-on benefits throughout the supply chain and more generally to regional communities and the national economy.

However, given the already significant contribution that woolgrowers make to industry R&D activities, the Department is concerned that the costs of the proposed new levy are not passed back through the supply chain to producers.

The Department supports in principle the application lodged by the FAWO to implement a levy of \$1.50 per bale of wool sold in order assist in the funding of a test marketing campaign for the international promotion of wool.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sally Standen', with a horizontal line extending to the right.

Sally Standen  
General Manager  
Meat, Wool and Dairy

/7 October 2005