

# AUSTRALIAN WOOL PROCESSORS COUNCIL INC



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AWPC-05-035

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

Dear Sir,

## **Application for Authorisation by Federation of Australian Wool Organisations**

I refer to your invitation for submissions from interested parties.

The Members of the Australian Wool Processors Council (AWPC) are a key part of the Australian and international wool industries. They buy and process Australian wool at various stages from early stage processing (scouring) through to fabric and garment manufacture. The majority of their products are exported.

### **Test Marketing Campaign**

The early stage processors (scouring, carbonising and top making) are totally dependent on wool for their operations, as the machinery used for these operations can only be used for wool.

AWPC supports the International Wool Textile Organisation (IWTO) Test Marketing Campaign. It believes that demand and prices in the industry are at a level where the ongoing sustainability of one of Australia's major export industries is at risk. The value of wool exports fell from \$3.5 billion to \$2.4 billion between 2000/01 and last year. There is considerable anecdotal evidence that wool growers no longer have their traditional attachment to wool production and are increasingly replacing wool with other farming enterprises. This has a knock on effect to the wool processing industry, particularly the early stage processing industry, as it is dependent on Australian greasy wool for its raw material.

AWPC Members, through their international customer contacts are aware of the considerable international support for the Test Marketing Campaign. Many are also contributing to the cost of the Campaign.

### **Claimed Public Benefits from the Test marketing Campaign**

#### *Increased Demand for Wool*

Australian wool production is at a 60 year low and current prices are at a five year low. There are a number of reasons for this, including seasonal conditions and altered consumer spending behaviour.

However, research commissioned by IWTO has identified a lack of promotion and communication with customers as one of the key factors affecting the demand for wool. The potential impact of promotion is best illustrated by the reduction in wool exports from 639 million kilograms (mkg) in 2000/01 to 434 mkg last year. This period coincides with a decision by Australian wool growers in 2000 to no longer provide levy funds for the direct promotion of wool.

#### *Increased Efficiency in the Promotion of Australian Wool*

AWPC is not an expert in the business/efficiency of wool promotion. However, it notes that the Test Marketing Campaign includes provision for detailed analysis of its impact. AWPC believes that proper use of these analyses will lead to efficient future wool promotion.

*International Competitiveness of the Australian Wool Industry*

Any increase in demand, in particular, increases in demand which are reflected in increased prices for wool will lead to increased production. This in turn will lead to improved profitability and competitiveness for all sectors of the Australian wool industry.

*Increase in Net Exports*

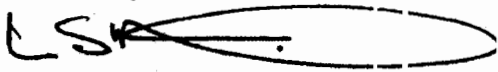
As Australia exports around 95% of its wool production and is the world's largest supplier of apparel wool, any increase in demand will result in an increase in net exports and availability to the local processing industry.

The value of wool exports, although declining, is still significant at \$2.4 billion in 2004/05. Simple mathematics indicates that a 10% increase in demand and/or price will add \$240 million to Australia's exports.

*Higher Employment*

Suppressed demand and prices affect the ability to employ people in the wool industry. An increase in demand and/or prices should stimulate employment in the industry.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'LSM', enclosed within a large, hand-drawn oval.

Lindsay Mitchell  
President