

4 November 2005

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

**By email: [adjudication@accc.gov.au](mailto:adjudication@accc.gov.au)**

Dear Sir/Madam

**Re: Application for authorisation – Federation of Australian Wool Organisations**

I am writing in response to the invitation from the Australian Competition and Consumer Commission ('ACCC') to comment on the application lodged by the Federation of Australian Wool Organisations ('FAWO').

By way of background, the NSW Farmers' Association (the 'Association') is Australia's largest state farming organisation representing the interests of the farming community in NSW. Through its commercial, policy and apolitical lobbying activities, the Association provides a powerful and positive link between farmers, the Government and the general public.

The Association is also the key State representative body for both intensive and extensive industries ranging from broad acre, meat, wool and grain producers, to more specialised producers in the horticulture, dairy, poultry meat, egg, pork, oyster and goat industries. The Association also represents the interests of rural and regional communities as well as the important issues related to natural resource management. Through its close ties with farmers and such communities, the Association is in a unique position to contribute to the stakeholder consultation process and welcomes the opportunity to respond to the 'Application for Authorisation' which has been forwarded by FAWO. Our comments have been provided according to the key categories outlined in the application for authorisation.

**The Association supports the application for authorisation by FAWO.**

The wool industry has been experiencing a number of challenges and turbulences recently, resulting from historically low prices being received by producers. These low prices have lead to a reduction in the amount of wool produced in Australia as producers diversify away from specialist wool production or out of the industry all together.

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The key driver behind the reduction in the wool price is a lack of demand for woollen products and therefore the raw product. The lack of demand for wool has chiefly resulted from the absence of the promotion of wool since the withdrawal of marketing investment in 2000.

There has been an increasing awareness amongst industry of the need for a return to greater levels of promotion of Australian wool. Industry however realises that it is not desirable to again conduct programs based upon the 'generic' promotion of wool which occurred in the past without significant rigour or measurable success. Product marketing instead has been identified as the critical gap in marketing activities and the area for the greatest return.

The proposed test marketing campaign to be rolled out in the USA, targets a high retail value, and high wool market share segment. After having viewed the business case for the campaign, the Association believes that being such a targeted campaign, it should be able to deliver a measurable shift to the demand for wool apparel.

In order for this campaign to proceed funding must be secured. The Association feels it is appropriate that contrary to previous promotion which has been funded 100% by growers, as the whole of industry will benefit from an increased demand for wool, the whole of industry should contribute to the campaign.

Indeed growers' support of the campaign (via Australian Wool Innovation's investment) is contingent upon contributions from the rest of industry. The Association therefore supports the proposed transaction levy as detailed in the application for authorisation as it facilitates the delivery of the test marketing campaign.

The Association believes a successful test marketing campaign will demonstrate the ability to achieve the public benefits as described in the FAWO application and highlight to industry the benefits of the adoption of ongoing targeted marketing.

#### ***Increased Demand for Australian Wool***

The ultimate Key Performance Indicator for the test marketing campaign is its ability to increase the demand for wool and the Association believes that the proposal will result in increased demand for Australian wool apparel.

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

As described above, a Key Performance Indicator for the test marketing campaign is its ability to increase the demand for wool and the campaign is expected to determine the dollar return on marketing investment. The measurement of performance against these objectives will educate industry as to the efficiencies of the components of the campaign. These results will further facilitate more appropriately targeted future promotion.

#### ***International Competitiveness for the Australian Wool Industry***

Increased education and awareness amongst consumers as to the superior and unique qualities of wool (an objective of the campaign) will help improve the Australian wool industry's competitiveness against other fibres.

#### ***Increase in Net Exports***

As the majority of Australia's apparel wool is exported, and the test marketing campaign is being delivered overseas, an increase in the demand for wool will result in an increase in the volume and value of wool exports.

**Higher employment**

Lower wool prices and the resultant contraction of the Australian wool industry has led to an exodus from the industry. This has resulted in reductions in employment on farm, as well as at shearing and shedhand contractors, and in the broader wool supply chain and rural economy.

This includes a loss of early stage Australian processing companies to overseas countries due to the incredibly tight margins involved in marketing wool at the current prices. Increased prices received on farm resulting from increased demand for wool would boost confidence in the wool trade and reverse this exodus.

Due to the attributed benefits of the FAWO application the Association is supportive of the levy proposal. However, the Association will be monitoring on an ongoing basis the collection and distribution of funds under the proposal.

Moreover, the Association is only supportive of the levy up until the point that the funds necessary for the test marketing campaign (up to US\$2.8 million) are raised. The further continuation of the campaign past this point will require further consultation and subsequent industry support.

I thank you for the opportunity to comment on this proposal. Please do not hesitate to contact me if you require any further information.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ray Johnson', with a stylized flourish at the end.

Dr Ray Johnson  
**Chief Executive Officer**