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# NATIONAL AUCTION SELLING COMMITTEE

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## SUMMARY OF OUTCOMES: MEETING NASC29-2010

FRIDAY 25<sup>TH</sup> FEBRUARY 2011, 9.00 AM AEDT

AUSTRALIAN WOOL EXCHANGE LTD  
318 BURNS BAY RD, LANE COVE, NSW

### N28/10/1.0 PRESENT/WELCOME

Les Targ (Chairman)  
Wayne Beecher  
John Bradbury  
Michael de Kleuver  
Dean Collison  
Simon Hogan  
Lyndon Hosking  
Josh Lamb  
Len Tenace  
David Cother (Secretary)

Mr. Targ welcomed the three new representatives (Bradbury, Beecher, and Collison) to the Committee as a result of the elections. He thanked the outgoing representatives (Butcher, Roberts and Woods) for their significant input and service to the Committee and their constituents.

### N28/10/2.0 APOLOGIES

Nil

### N28/10/3.0 MINUTES PREVIOUS MEETING

Minutes NASC-28 accepted without amendment.

### N28/10/4.0 OUTSTANDING ACTION ITEMS/ISSUES ARISING

### N28/10/5.0 WOOL SELLING PROGRAMS

#### 5.1 2010-11 WOOL SELLING PROGRAM

##### 5.1.1 NATIONAL RECESS WEEKS

##### Outcome(s)/Changes

- o The total number of National Recess weeks in 2011/12 remains unchanged (7) from 2010/11.
- o The maximum number of selling weeks in 2011/12 is 45.
- o 22 Sale weeks are programmed prior to Christmas, 23 post Christmas.
- o The National Recess Weeks in 2011/12 are 3, 4, 5, 26, 27, 28 and 41.

##### Discussion

##### A. Length of July Recess

NASC considered a request for the July Recess to be reduced from three (3) weeks to two (2) weeks. NASC resolved to retain three weeks and re-affirmed its previous position that this was based on multiple factors:

- a) National volumes are still relatively low in the July Recess period. It was recognised that Northern Region volumes were higher however this was offset by seasonal low offerings in the Western Region at this time.
- b) Buyers generally use this as a Business Recess. This includes business planning, training, systems changes, and client servicing including travel.

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### **B. School Holidays**

NASC considered a request to align National Sale Recess Weeks with School Holidays. Whilst sympathetic to the request, NASC concluded:

- a) School Holidays in each state can vary in week numbers from year to year and are not necessarily common across states.
- b) The NASC business rule(s) requiring
  - a. 2 trading weeks at the beginning of the new season, and
  - b. A National Recess (i.e. no region selling in isolation), were deemed to be higher priority.

### **C. Christmas and Easter Recess**

NASC retained the three week and one week Recess periods for Christmas and Easter respectively. The Christmas Recess commences in Week 26, which is one week later than 2010/11. Normal Prompt for this Sale would fall on Friday 30<sup>th</sup> December 2011.

### **5.1.2 NORTHERN REGION**

#### **Outcome(s)/Changes**

- o The number of Newcastle Sales programmed for 2011/12 is 4 Sales (as published on the TENTATIVE 2011/12 WSP in March 2010). These Sales are programmed to be held in Newcastle in Weeks 11, 16, 21, and 35.

NASC:

- o Believes the Newcastle marketing “brand” is an asset to the Australian Wool Industry which buyer and sellers wish to preserve.
- o Believes that greater objectivity is required in defining the parameters of the Newcastle Sale criteria (“brand”) so that buyer, seller and administrative sectors understand the parameters when building a Wool Selling Program.
- o Wants to ensure the Wool Selling Program allows the orderly flow of wool onto the market with equity between participants.
- o Believes that if the Sale Criteria for Newcastle is not objectively defined there is a risk a) the brand may over time be eroded, and b) disputes on the Program become based on subjective or emotive positions.
- o Recognises that in building objective criteria that define a Newcastle Sale that this (criteria) should include mechanisms that trigger additional Sales where required.
- o Is seeking stakeholder input and feedback on the criteria.

#### **Discussion**

##### **A. Newcastle 1 – Wool Selling Program Policy**

**Lengthy and robust debate** was held on the Newcastle Selling program for 2011/12. Submissions and survey results from Newcastle Buyers and Sellers were considered as were the outcomes of the NASC meeting 12 months prior when the Tentative Wool Selling Program was issued.

Statistically for Season 10/11:

- o Newcastle Offering volumes fell from 74,237 to 71,187 bales (-4.1%)
- o Newcastle stored volumes fell from 71.7% to 68.5%
- o The portion of Superfine MFLC has fallen from 41.3 to 39.2%
- o 17.7% of Newcastle stored wool this season to date has been offered in Sydney compared to 38.3% (09/10), 37.6% (08/09), 37.5% (07/08), and 36.2% (06/07).
- o Reoffers are down from 4.8 to 3.2% suggesting higher clearance
- o Wool offered from previous seasons is up slightly from 5.5 to 5.7%

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- Rehandle wool is down slightly from 4.8 to 3.2% of total offering
- Testing volumes Y-O-Y July 2010 to February 2011 for fine wool:  
NSW: 16 (-20%), 17 (-19%), 18 (-15%), 19 (0%).  
QLD: 16 (-46%), 17 (-9%), 18 (-8%), 19 (-3%).
- Y-O-Y Newcastle Auctions Offerings by micron: 16 (+5%), 17 (-6%), 18 (-21%), 19 (+0.5%).

With respect to Season 2011/12 the following points NASC recognised:

- Newcastle Sellers forecast a potential for production to increase up to 5% in key Newcastle drawing areas,
- Brokers are reporting low carry forward stocks with higher than normal clearance rates of current and held stocks in recent months
- Under a 4 Sale scenario Sellers may be more selective in their offering.

### Overview offering Statistics: Newcastle Selling Centre

Season	Sales	Bales offered	Av Bls/Sale	Lots offered	Stored New.	% SF MFLC	Reoffers	WFPS	IL/BC
03	6	110,045	18,333	32,589	72.7%	35.9%	14.9%	6.6%	3.8%
04	6	117,829	19,638	34,114	75.2%	39.9%	6.8%	8.3%	3.3%
05	6	99,993	16,665	30,073	77.3%	41.0%	3.7%	6.9%	3.4%
06	6	111,363	18,560	33,466	73.1%	38.6%	5.1%	7.2%	2.8%
07	6	97,871	16,311	30,726	76.2%	41.3%	4.6%	3.4%	2.7%
08*	6	93,223	15,537	28,738	67.3%	38.6%	5.6%	2.7%	3.2%
09	5	74,237	14,847	22,017	71.7%	41.3%	4.8%	5.5%	2.9%
<b>10</b>	<b>5</b>	<b>71,187</b>	<b>14,237</b>	<b>21,203</b>	<b>68.5%</b>	<b>39.2%</b>	<b>3.2%</b>	<b>5.7%</b>	<b>3.2%</b>

\*N08/08 offered by separation in Sydney.

WFPS = Wool tested in previous season (prior to June)

IL/BC = Interlot/Bulk Class

### Overview Statistics: Newcastle Storage Centre offered at auction

Season	Bales	Offered Newcastle	Offered Sydney
03	131,671	60.7%	39.3%
04	141,567	62.6%	37.4%
05	128,280	60.3%	39.7%
06	130,248	62.5%	37.5%
07	116,890	63.8%	36.2%
08*	100,534	62.4%	37.6%
09	86,267	61.7%	38.3%
<b>10</b>	<b>65,898</b>	<b>74.0%</b>	<b>26.0%</b>

On balance, NASC concluded that nothing was raised in the correspondence or discussion which materially impacted its decision to reduce the number of Newcastle sales when setting the tentative 2011/12 program 12 months earlier.

### 5.1.3 SOUTHERN REGION

#### Outcome(s)/Changes

- Southern Region program remains structurally unchanged from 2010/11.

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- Week 33 retains the Launceston (L33) and Melbourne (M33) Sales in Southern Region. L33 shall be held in Melbourne on Tuesday, M33 shall be rostered on Wednesday/Thursday. L33 is restricted to 1 day for wool produced in Tasmania.

### Discussion

No items were raised to be addressed in Southern Region. NASC approved continuation of the L33/M33 Sale week after positive reports from Seller and Buyer sectors on this approach in 2010/11.

### 5.1.4 WESTERN REGION

#### Outcome(s)/Changes

- F01/11 is gazetted as a 1 Day Sale.
- Week 8 is a No Sale week.
- Sales in Weeks 42-52 are marked Tentative and frequency of Sales in this period shall be reviewed in August 2011.
- The Public Holiday originally listed in Week 14 (F14) on the Tentative WSP has moved to Week 17 (F17) due to Commonwealth Heads of Government Meeting.
- 1 Day Sales: Weeks 17, 30, 36, 40 and 43

### Discussion

#### A. Weeks 1 and 2

NASC noted that a large imbalance in Western Region offering occurred in Weeks 1 and 2 in 2010/11 with 1974 and 675 lots offered respectively.

NASC does not support the removal of Week 2 as this would result in a four week Recess (1 West + 3 National) in Western Region. NASC Business Rules do not support a four week Recess due to market access and business finance reasons for buyer and seller sectors.

NASC also considered a request that Sales could be cancelled (in the preceding weeks) if volumes are too small. NASC Business Rules do not support Sale Cancellations due to the trade implications. (If a Sale is found to be too small it shall be considered for removal from the following season.)

NASC agreed that F01 should be gazetted as a 1 day Sale to encourage an improved balance of offerings in this period. It was also noted that wool on hold and carry forward (tax) stocks are likely to be significantly lower than the current season.

#### B. August

The offerings in August have proven to be small. NASC believes that a break of one week (F08) in August will result in improved offerings pre and post this week.

#### C. Post Easter Period (Weeks 42-52)

Considerable discussion was had on the potential decline in Western Region offerings due to current and ruling seasonal conditions. NASC has elected to defer its decision on the 2011/12 post Easter Sales (Week 42-52) until August 2011. This enables NASC to gain data from the current post Easter period and to factor in any changes to seasonal conditions. NASC Western region representatives have reviewed a model illustrating the potential Sale total implications with a number of scenarios. Sales that are likely to fall below the minimum threshold will be removed. Some discussion was had on amending the current 2010/11 Program however was not deemed necessary at this time.

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### D. 1 Day Sales (Public Holiday Weeks 17, 30, 36, 40 & 43)

NASC confirmed its previous policy printed on the Tentative 2011/12 Wool Selling Program with 1 day Sales in Western Region gazetted to be held during Public Holiday weeks.

### 5.2 TENTATIVE 2012-13 WOOL SELLING PROGRAM

NASC agreed to issue the Tentative Program using the 2011-12 template, however it recognized that the mechanism for resolving the number of Newcastle Sales needed stronger objective criteria.

NASC reviewed the offering statistics for the last three years and proposed the following technical parameters for the Newcastle Sale Criteria for industry consideration. This definition includes both QUANTITY and QUALITY provisions at both a Sale and Centre (Season) level.

Table 1: Criteria

Variable	Season (Centre)	Sale
Bales	Min 13,000 avg	Min 12,000 bales
Lots	Max avg 5700/Sale	
Stored Newcastle	Min 66%	Min 66% of total offering
Superfine MFLC	Max Avg 42%	Min 35% of total offering
Superfine MFLC+MSKT		Min 50% of total offering

Superfine= 18.5 and finer

MFLC= Combing Merino Fleece (includes weaners)

MSKT= Merino Pieces and Bellies

Once the criteria are defined the process of adding or removing a Sale from the annual WSP becomes more transparent. **\*\* IMPORTANT NOTE: Under this proposal, adding or removing a Sale is performed at the February review for the following Wool Selling Program. It does not occur during the actual season.**

Using the above criteria a (Newcastle) Sale would be removed from the WSP at the annual review if (in the previous season):

- 1 Sale is less than 12,000, or
- The season average Sale size is less than 13,000 bales, or
- Any one Sale offers less than 35% of Superfine MFLC, or
- Any one Sale has less than 50% Superfine MFLC+MSKT, or
- Any one Sale offers less than 66% stored Newcastle.

A (Newcastle) Sale would be added to the Program if:

- The season average offering (meeting all minimum criteria) exceeds 5700 lots/sale, or
- The season average offering (meeting all minimum criteria) of Superfine MFLC exceeds 42%.

### N28/10/6.0 SOUTHERN REGION SALE ROOM 2 TRIAL

NASC considered the progress/outcomes of the trial held in Southern Region. This trial allowed the Sellers to offer Room 2 catalogues in one session. The initial two weeks of the trial rostered the catalogues to be sold in alternating sequence by Seller (i.e. yellow/blue, blue/yellow, yellow/blue...) which is the approach taken in Western Region. This rotation was deemed as confusing. The subsequent weeks adopted a simplified method where each Seller offered yellow/blue.

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Southern Region based representatives reported on the views of their constituents. The trial resulted in universal and significant support from Sellers as it simplified the staffing and rostering of auctions. It also offered time savings.

Buyer support was mixed. Positive comments included the ability to quote and operate on a broader range of types throughout the Sale. Others reported difficulty with the change especially if balancing two rooms. It was noted that this approach is used in both Northern and Southern regions, with representatives from these regions reporting no issues.

It was AGREED that the trial period was complete. To assess and understand the buyers' points of view Southern Region Seller representatives are to consult with Room 2 Buyers. This item shall be considered again at NASC30.

**ACTION** Southern Region Sellers to consult with Room 2 Buyers.

### **N28/10/7.0 SELLERS OFFERING OVER SELLING ARRANGEMENTS**

NASC considered a situation where two Sellers offered wool exceeded their Selling Arrangement allocations.

NASC AGREED:

1. Sellers are asked to comply with their Selling Arrangement figures. Buyers are basing their commercial purchase decisions based on quantities that are advertised (on the Selling Arrangements) to be offered.
2. Where quantities are approaching Maximum Lots Sellers will be reminded that no tolerance will be allowed in exceeding their Selling Arrangements. Lots offered in excess of their allocation must be removed. The Seller and Buyers will be notified where transmitted quantities exceed their Selling Arrangement figure.
3. Where a Seller needs to revise their Selling Arrangement figure by more than 10 lots, the Selling Arrangement administrator must be notified.

### **N28/10/8.0 SALE ROOM BALANCE – NORTHERN REGION**

NASC had received a complaint from a Northern Region Exporter concerned about a large imbalance between Sale Room 1 and Sale Room 2 (most notably Week 28). NASC considered whether this matter was significant and if so whether a permanent or temporary solution was required.

Sale room differentials for this season were supplied (See Appendix). In the case of Northern Region Sale Room 2 regularly exceeds Sale Room 1 in the third trading quarter. This is attributed to the increase in Crossbred wool offered at this time. For this to be addressed the options include:

- a) Changing the composition of the catalogue, (e.g. XB Fleece to Room 1) or
- b) Asking one or more Sellers to move sections to Room 1 when required.

Neither of these options were supported by NASC.

NASC AGREED that this matter should be monitored in all regions to determine if there was a more permanent trend (as a result of flock demographics) evolving which may require reassessment of catalogue lotting.

**ACTION** No Further Action.

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### **N28/10/9.0 SALE DAY BALANCE – WESTERN REGION**

NASC considered a request from Mr. Aslett asking that the formula used to address the situation where large inter-day imbalances occur in Western Region be reviewed. Western Region uses fixed day allocations for Sellers in descending selling order by week. The current formula used is for the first Seller on Day 2 to be moved to first on Day 1. (Some local concern was that if this (formula) is applied for an extended period, the Day 1 Sellers would not get to offer first.) An alternative formula was proposed where the last Seller on Day 2 is moved to the last Seller on Day 1.

NASC discussed whether this was a structural issue, i.e. where the Sellers needed to be permanently reallocated or occurs only during some periods of the season. Mr. Hosking and Mr. Bradbury stated that it occurs only at certain times of the year.

**ACTION** Mr. Hosking is to discuss/determine with WA sellers to assess the level of concern prior to implementing an alternative formula.

### **N28/10/10.0 SALE ROOM CODE OF CONDUCT**

The printer's copy of the NASC Sale Room Code of Conduct was noted. This will be issued in soft copy to Buyers and Sellers. Subject to any comments, A5 booklets will be printed and issued to each Sale Room participant.

**ACTION** Secretary to circulate soft copy and finalise printing.

### **N28/10/11.0 OTHER BUSINESS**

#### **11.1 REQUEST TO EXTEND PROMPT**

Mr. Bradbury asked that NASC consider an Exporter's request for Sellers to consider extending prompt to 16 days. The reason for extension was to assist Exporters in the financing of purchases as the current (high) market conditions was impacting on ability of exporters to secure adequate funding.

Seller representatives asked if this was a significant issue and whether this application could be classified as a request for temporary Prompt extension subject to economic triggers rather than a permanent change to prompt. Sellers also noted that this would have implications for Growers as the Grower prompt would be adjusted accordingly.

**ACTION** Exporters to be surveyed to determine level of support for this request. Subject to level of support, a discussion paper is to be written and circulated to Sellers. Feedback to be considered at NASC30.

#### **11.2 SAMPLE WEIGHTS (SOUTHERN REGION)**

Mr Tenace raised a concern about sample weights in Southern Region. Mr Hogan responded that he was aware of the issue and that steps were been taken to address this problem.

#### **11.3 INTERLOTS**

Mr Tenace raised a concern about the practice of Sellers using one of the components of the Interlot as the Interlot Header description. For example an interlot component may be described as AAAMLMS, which is then carried forward as the Interlot Header description. He preferred that Interlots should be described as a generic description or Bin type (e.g. Various LMS). He also asked whether Interlot components were to be displayed on the back of the box. The Secretary

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confirmed this was both a NASC technical parameter and a requirement under Classing House registration.

**ACTION** AWEX auditors to report on Interlots missing headers and identify Sellers where the catalogue descriptions on Interlots are derived from one component.

### 11.4 AUS/NZ WOOL SELLING PROGRAM WEEK NO STANDARDISATION

The Secretary notified the Committee that NZ had agreed to use the same week number convention as Australia on their Wool Selling Program. This issue was initially raised by Mr. Belgre with the Secretary as the weeks numbers in this season are not the same. This standardization will assist Australian exporters operating in both countries.

### 11.5 COMPLIANCE CHECKING NASC RULES

NASC asked the Secretary to provide details of compliance checking of NASC technical parameters (Bale Weights, Catalogue section compliance, Poorly/Unskirted wool in Room 2, Risk lots, Interlot Headers etc) that occur at the showfloor for the next meeting. It was noted that these were all long standing rules.

**ACTION** Secretary to report compliance issues to NASC30.

### 11.6 BALE WEIGHT CHECKING

Mr. Tenace spoke to a letter he had received relating to Bale Weight checking (see NASC28). He clarified what was occurring and what had been requested at WIEDPUG. This was clarified by the Secretary.

### 11.7 OFFERING OF NEWCASTLE IN SYDNEY

Mr. Beecher tabled an alternative rostering approach to Newcastle that he sought NASC views on. This approach was to roster Newcastle wool as Newcastle Sales in Sydney on the Tuesday of a Sydney week. (This is similar to the current Launceston Sale approach).

Benefits would include

- Preservation of the Newcastle brand,
- a continuous flow of fine wool allowing ongoing price discovery,
- possibly fewer issues with rostering as rostering would be done in day increments/decrements rather than weeks, and
- shipping and financing.

NASC agreed to circulate the proposal as a discussion paper only for industry consideration.

## N28/10/12.0 MEETING SCHEDULE

NASC30	WEEK 47	FRIDAY 27 MAY 2011	1.00PM AEST TELCONF
NASC31	WEEK 09	FRIDAY 02 SEP 2011	1.00PM AEST TELCONF
NASC32	WEEK 21	FRIDAY 25 NOV 2011	1.00PM AEDT TELCONF
NASC33	WEEK 33	FRIDAY 02 MAR 2012	9.00AM AEDT FACE TO FACE

Sub Meetings where required will be designated alpha suffixes (e.g. NASC30B).

## N28/10/13.0 CLOSE

Meeting Closed: 2.45pm



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NASC representatives

Name	Position	Contact No	E-mail
Wayne Beecher	North Seller	02 6341 1900	<a href="mailto:beecherwool@bigpond.com">beecherwool@bigpond.com</a>
John Bradbury	West Buyer	0418 926 899	<a href="mailto:john@fremantlewool.com.au">john@fremantlewool.com.au</a>
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Michael de Kleuver	South Seller	03 9240 4700	<a href="mailto:mdekleuver@rodwells.com.au">mdekleuver@rodwells.com.au</a>
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Les Targ	Chairman		